Department of Health and Human Services

Division of Mental Health/Developmental Disabilities/Substance Abuse Services
and
Division of State Operated Health Facilities

Joint Appropriations House and Senate
Subcommittee on Health and Human Services

March 26, 2013

FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Presentation Outline

Overview of DHHS Mental Health Divisions, Programs, and Services

Review 2011 and 2012 Legislative Actions

Budget Overview

Review Budget and Policy Issues

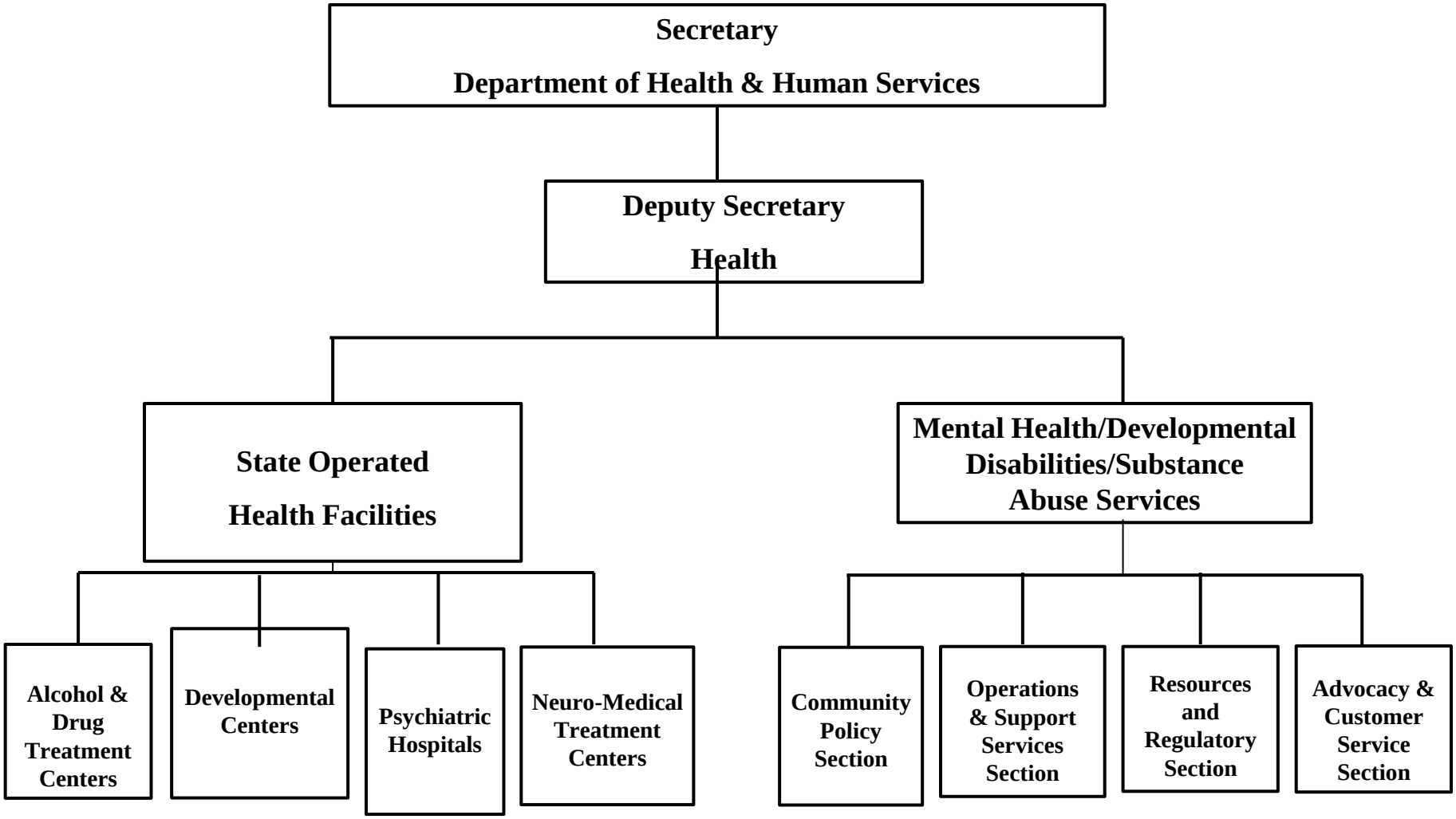
OVERVIEW
MENTAL HEALTH DIVISIONS, PROGRAMS, AND SERVICES

G.S. 122C-2: Mental Health Policy

The policy of the State is to assist individuals with needs for mental health, developmental disabilities, and substance abuse services in ways consistent with the dignity, rights, and responsibilities of all North Carolina citizens.

Within available resources it is the obligation of State and local government to provide mental health, developmental disabilities, and substance abuse services through a delivery system designed to meet the needs of clients in the least restrictive, therapeutically most appropriate setting available and to maximize their quality of life.

It is further the obligation of State and local government to provide community-based services when such services are appropriate, unopposed by the affected individuals, and can be reasonably accommodated within available resources and taking into account the needs of other persons for mental health, developmental disabilities, and substance abuse services.


Secretary
Department of Health & Human Services
Deputy Secretary
Health
State Operated
Health Facilities
Mental Health/Developmental Disabilities/Substance Abuse Services
Alcohol & Drug Treatment Centers
Developmental Centers
Psychiatric Hospitals
Neuro-Medical Treatment Centers
Community Policy Section
Operations & Support Services Section
Resources and Regulatory Section
Advocacy & Customer Service Section

G.S. 122 C-2: Community Services Policy

The public service system will strive to provide a continuum of services for clients while considering the availability of services in the private sector. Within available resources, State and local government shall ensure that the following core services are available:

(1) Screening, assessment, and referral.
(2) Emergency services.
(3) Service coordination.
(4) Consultation, prevention, and education.

Within available resources, the State shall provide funding to support services to targeted populations, except that the State and counties shall provide matching funds for entitlement program services as required by law.

Behavioral Health Services Delivery

- Multiple entities have a role in the delivery of mental health, developmental disabilities, and substance abuse services
  - DMHDDSAS
  - DSOHF
  - Local Management Entities (LMEs)
  - Private service providers
  - Division of Medical Assistance
- Funding provided by State, federal, and local sources
- State-wide system is built upon on partnerships and cooperation
  - No one entity is completely in charge

Mental Health System Stakeholders

- Consumers and their families
- Providers
- State agencies
- Consumer advocacy groups
- LMEs/MCOs
- Public and private hospitals
- Local governments
- Federal government

Community MH/DD/SA Services

- The State budgets around $340 million in General Fund, federal block grants, and other receipts for community services
- LMEs manage and have oversight for the delivery of mental health, developmental disabilities, and substance abuse services to residents, adults and children, living in their catchment areas
- Most community services delivered using a network of private providers

- Community services include but are not limited to:
  - Assessment
  - Psychiatric therapy
  - Rehabilitation services
  - Medication management
  - Crisis Intervention
  - Outpatient substance abuse treatment
  - Intensive in-home treatment
  - Case Management
  - CAP/Innovations

Critical Access Behavioral Health Agency (CABHA)

- In 2009, DHHS approved CABHAs as a new provider category for community-based mental health and substance abuse services
  - CABHAs' may be for profit, not for profit, public, or private entities.
  - Must be certified by both DMH/DD/SAS and DMA
  - 187 certified CABHAs
- Purpose is to provide a comprehensive clinical assessment and an appropriate array of services.
  - The services will vary depending upon the age and needs of the consumers to be served by the agency but all must offer three core services: medication management, comprehensive clinical assessment, and outpatient therapy and at least two other types of services
- S.L. 2012-171 mandated that only CABHAs may provide certain services to Medicaid recipients: community support team, intensive in-home therapy, child/adolescent day treatment

Local Management Entities (LMEs)

- LMEs are in transition
  - In the past, there were as many as 40 LMEs and most provided direct services

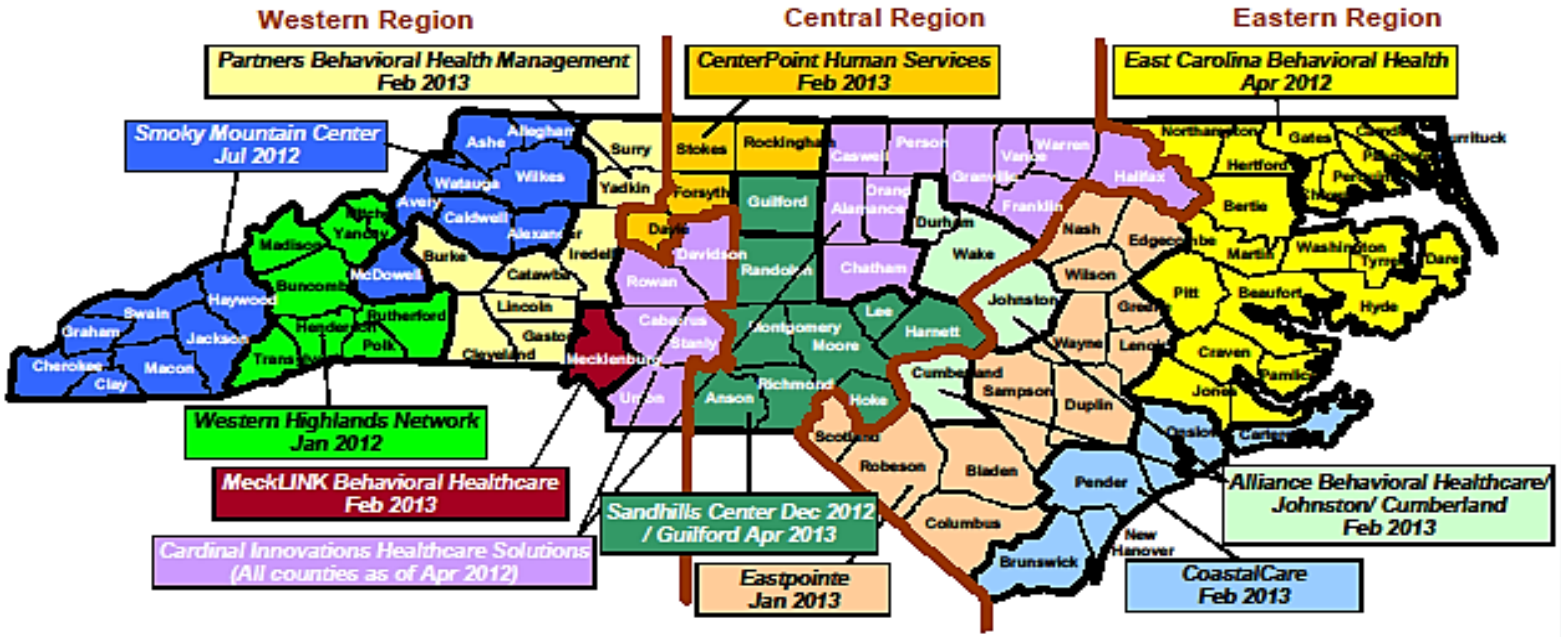
- In 2005, DHHS piloted a Medicaid 1915 (b) (c) waiver operated by Piedmont Behavioral Health (PBH) to provide behavioral health services in Cabarrus, Davidson, Rowan, Stanly and Union Counties

- S.L. 2011-264 mandated the state wide expansion of the 1915 (b) (c) waiver to be fully implemented by June 30, 2013
  - 11 LME/MCOs will administer all behavioral health services

DHHS Funding for LME/MCO's

- LMEs/MCOs manage State, federal, Medicaid, and local/county funds
  - Responsible for authorizing services, maintaining provider network, monitoring service quality, customer service, etc.
- FY12-13 Funding for LMEs/MCOs:
  - Medicaid: $2.1 billion
  - Community Service Funds: $340 million
    - Includes federal block grant funds
    - Funding has decreased by $78 million, almost 20%, since 2000
  - Administrative Funding: $98 million
    - Includes funds provided to support MCO mergers

Local Management Entity - Managed Care Organizations (LME-MCOs) and their Member Counties (Current and Proposed on February 1, 2013)



- *For proposed LME-MCOs that have not yet merged, the lead LME name is shown first.*
- *Sandhills Center and Guilford are scheduled to merge on January 1, 2013.*
- *Dates shown through December 2012 are actual Waiver start dates.*
- *Dates after December 2012 are the planned Waiver start dates.*
- *Reflects plans and accomplishments as of December 6, 2012.*

Three-Way Contracts

- Contractual agreement between DHHS, LMEs/MCOs, and community hospitals to purchase inpatient psychiatric services
  - Use local community hospital beds to provide short-term, acute inpatient services allowing patients to be served close to home while reserving state hospitals for those needing more long-term inpatient treatment

- S.L. 2008-107, the 2008 appropriations act, authorized and appropriated funds to be used for three-way contracts to purchase local inpatient psychiatric services.
  - Three-way contract beds days shall be distributed across the State according to need as determined by the Department.
  - Directed DHHS to enter into contracts with the LMEs and community hospitals for the management of these beds or bed days.
  - Authorized LMEs to manage and control the local inpatient psychiatric beds, including selecting the hospital that an individual should be admitted to pursuant to an involuntary commitment order.

Three-Way Contracts

- Funds may be used only to increase the number of community hospital psychiatric beds available to LMEs and shall not be used to supplant other funds available for this purpose

- Funds shall not be allocated to LMEs but shall be held in a statewide reserve at the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the LMEs and billed by the hospitals through the LMEs.

- LMEs shall remit claims for payment to the Division within 15 working days of receipt of a clean claim from the hospital and shall pay the hospital within 10 working days of receipt of payment from the Division.

Three-Way Contracts Funding

- 22 hospitals currently have 141 beds available for the contract rate of $750/day
  - Rate includes room, physician charges, and pharmacy
  - Hospitals indicate that the rate is insufficient for high acuity patients who require more specialized services, and more staff
- 2012-142 appropriated $9 million R expansion funding to increase number of beds from 141 to 186
  - Directed that funds could not be spent prior to December 31, 2012 and could only be used if not needed to address Medicaid funding shortfall
- Hospitals have reported billing issues and delays in receiving payment

Community Psychiatric Bed Needs: Adults

- DHHS Division of Health Services Regulation's annual inventory of community hospital psychiatric beds
  - 2015 projected # adult beds needed: 1,233
  - 2015 projected # adult beds available: 1,710

- While overall the projected 2015 inventory of adult beds exceeds need by nearly 500 beds, shortfalls are anticipated for two MCOs
  - Coastal Care: -3
  - Smoky Mountain: -27

Community Psychiatric Bed Needs: Child/Adolescent

- DHHS Division of Health Services Regulation's annual inventory of community hospital psychiatric beds
  - 2015 projected # child/adolescent beds needed: 172
  - 2015 projected # child/adolescent beds available: 329

- While overall the projected 2015 inventory of child/adolescent beds exceeds need by over 150 beds, shortfalls are anticipated for some MCOs
  - Cardinal I (Cabarrus, Davidson, Rowan, Stanley, and Union): -10
  - Alliance – Cumberland: -4
  - Alliance – Johnston: -3
  - Eastpointe: -13
  - Smoky Mountain: -5

G.S.122C-181: State Facilities

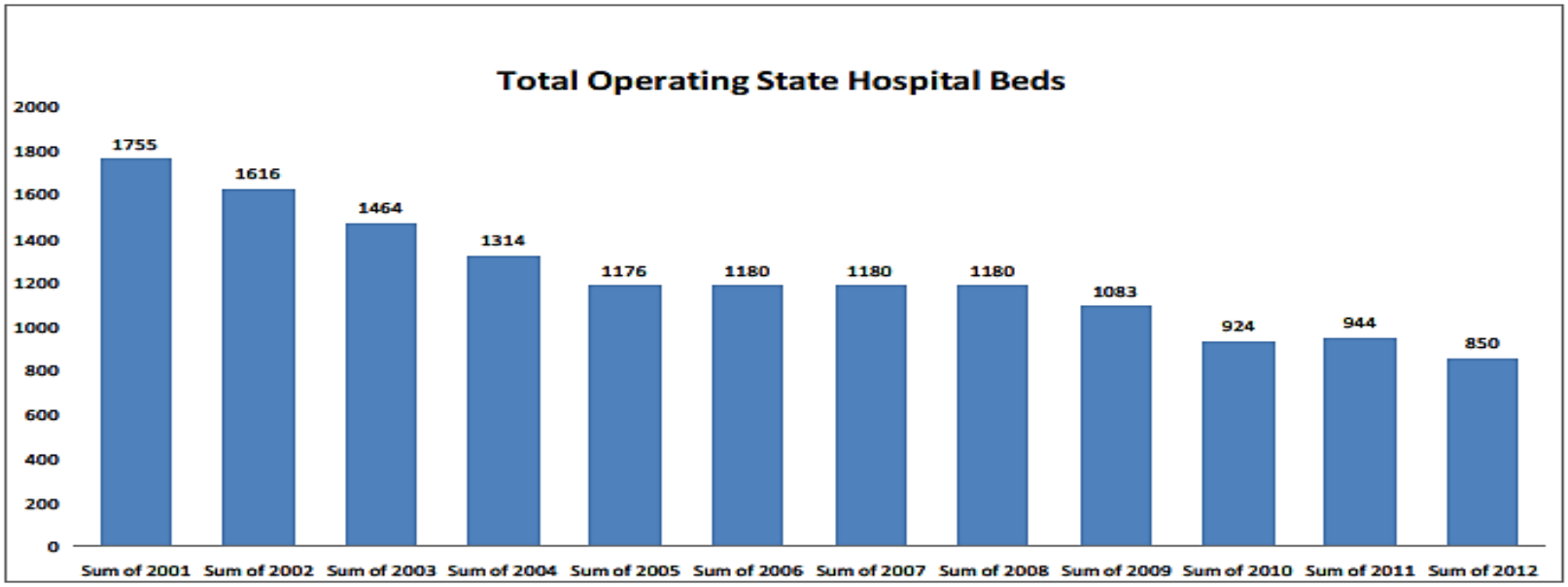
- Authorizes the DHHS Secretary to operate State Facilities
  - Psychiatric Hospitals
  - Developmental Facilities
  - Alcohol and Drug Treatment Centers
  - Neuro-Medical Treatment Centers
  - Residential Programs for Children
- Secretary, with the approval of the Governor and Council of State, may close any State facility

State Operated Facilities

- Hospitals provide inpatient psychiatric services for persons who cannot be served in community-based settings
- Alcohol and drug treatment centers provide treatment to adults with addition and related disorders
- Neuro-medical treatment centers serve adults with neurological disorders and complex medical conditions
- Developmental disability centers serve persons with intellectual and developmental disabilities whose treatment needs exceed the level available in the community
- Residential schools
  - Wright School serves children, ages 6 to 12, with emotional, behavioral, education, intellectual, social, and neurological conditions
  - Whitaker School provides inpatient psychiatric services to adolescents, ages 13 to 18

Change in State Hospital Bed Capacity

(Source: Division of State Operated Facilities, September 2012)



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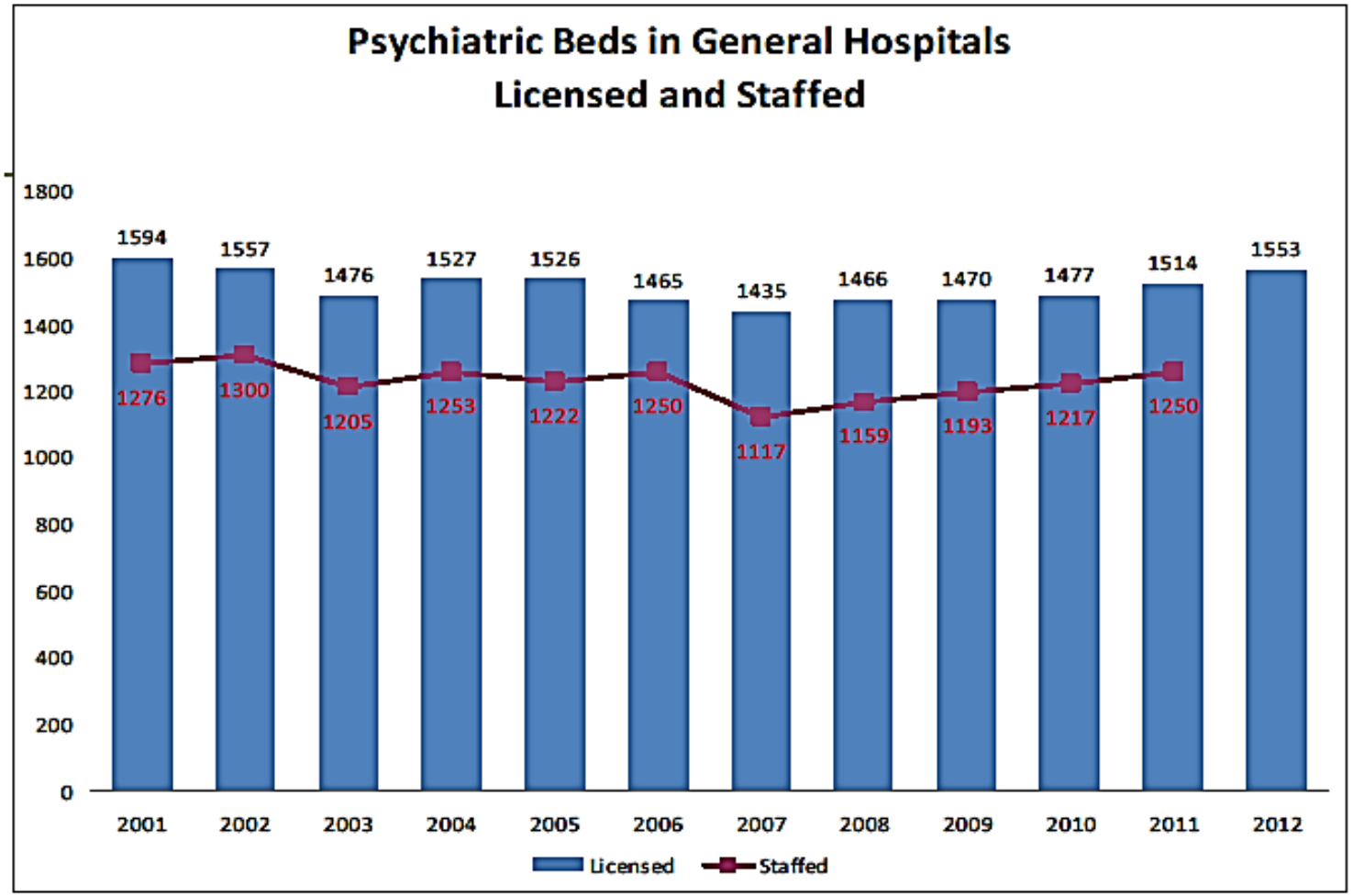

Source: DHSR Annual Applications

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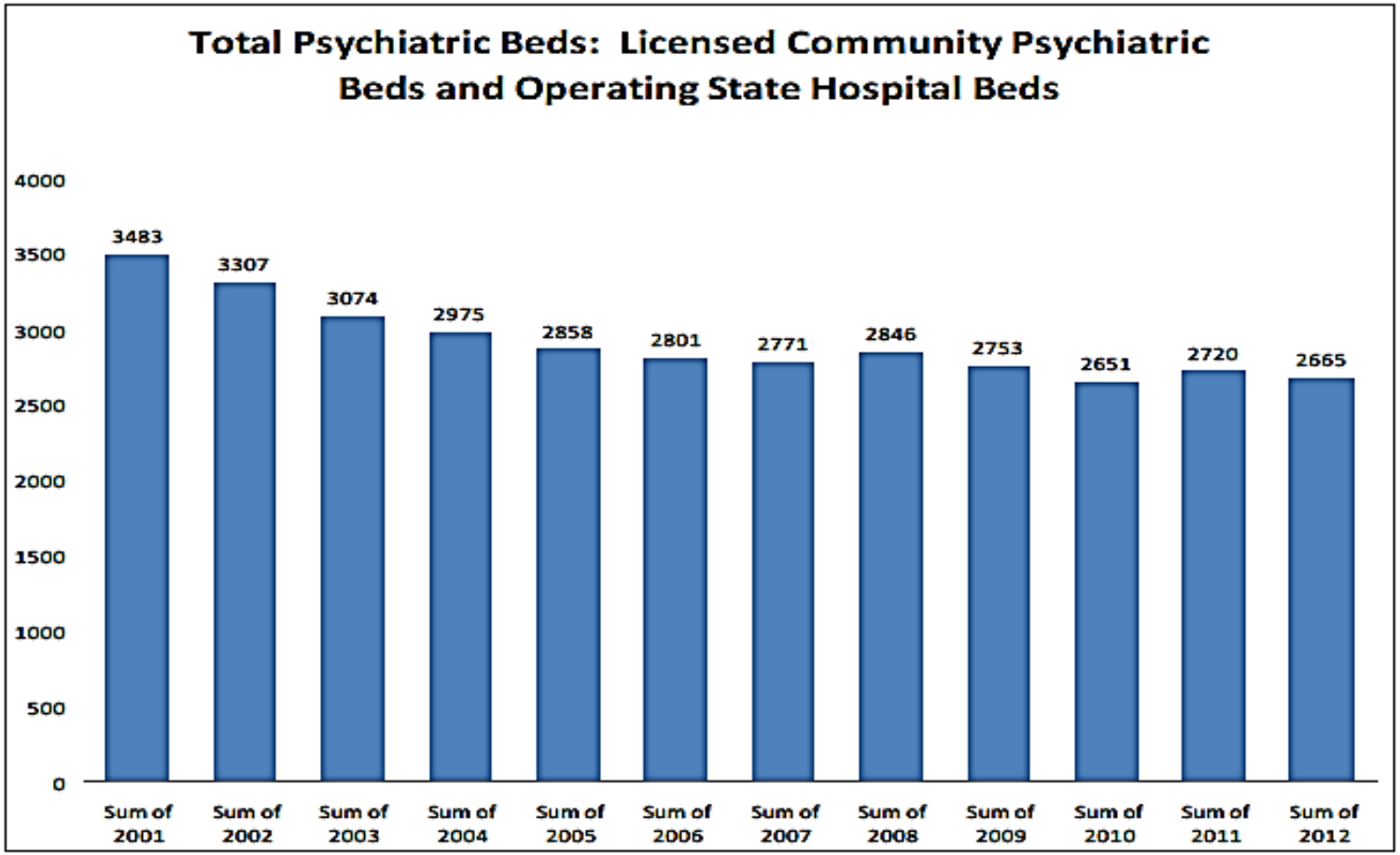

Source: DHSR Annual Applications

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State Psychiatric Hospital Capacity

- Mental Health Subcommittee of the Joint HHS House and Senate Legislative Oversight studied issues related to State psychiatric hospital bed capacity.
  - The Subcommittee heard about impact on community hospitals when individuals with a behavioral health crisis are brought to emergency rooms.
    - Reportedly, the average length of stay for these individuals was 15 hours, 52 minutes and over half (53%) were discharged to home or self-care.

- Subcommittee found that even though the State's total population continues to grow, the number of psychiatric hospital beds have decreased.
  - Increasing the capacity of the State psychiatric facilities can help decrease the length of stay in community hospital emergency rooms.

HHS LOC Recommendation

- Direct the Department of Health and Human Services to
  - (i) determine the cost of increasing the number of beds in State psychiatric hospitals,
  - (ii) explore the possibility of creating a south central mental health region to include at least Anson, Cabarrus, Davidson, Mecklenburg, Montgomery, Moore, Randolph, Richmond, Rowan, Scotland, Stanly, and Union counties, and
  - (iii) investigate the possibility of placing a new psychiatric facility in this region of the State.

- Department shall provide a written report to the Joint Legislative Oversight Committee on Health and Human Services no later than April 1, 2013.

Significant Legislative Actions
2011-2012 Sessions

2011 Significant Legislative Actions

- HB 916 – mandated statewide expansion of Medicaid 1915 (b)(c) Behavioral Health waiver by June 30, 2013
- Community service funds swap ($25 million) NR
- Community services reduction ($20 million) NR
- Mandated co-pay effective January 1, 2012 for mental health/developmental disabilities/substance abuse services
- Directed DHHS to issue RFP for consolidation of all forensic hospital care at Dix Hospital
- Eliminated funding for facility IT system upgrades ($5.1 million) R

2012 Significant Legislative Actions

- Community services reduction ($20 million) NR
- Expansion funding to increase the number of community hospital beds from 141 to 185 ($9,000,000) R*
- Reduced LME administrative funding in anticipation of savings from MCO conversions ($8,497,935) R
- 373 additional Cherry Hospital positions - $3,472,94R
- Funds for 19 additional beds at Broughton Hospital - $3,513,000 R*
- Eliminated funding for drug treatment court services – (2,258,000) R

2012 Significant Legislative Actions

- In 2011, the NC Disabilities Rights submitted a complaint to the U.S. Department of Justice (US DOJ) alleging that North Carolina had been institutionalizing persons with intellectual and developmental disabilities (I/DD) in violation of the federal American with Disabilities Act (ADA) and Olmstead ruling.
  - US DOJ conducted an investigation and determined that North Carolina was in violation
  - NC DHHS and US DOJ negotiated a settlement setting forth the actions that NC must take to transition affected persons from group or adult care homes to home and community-based settings

2012 Significant Legislative Actions

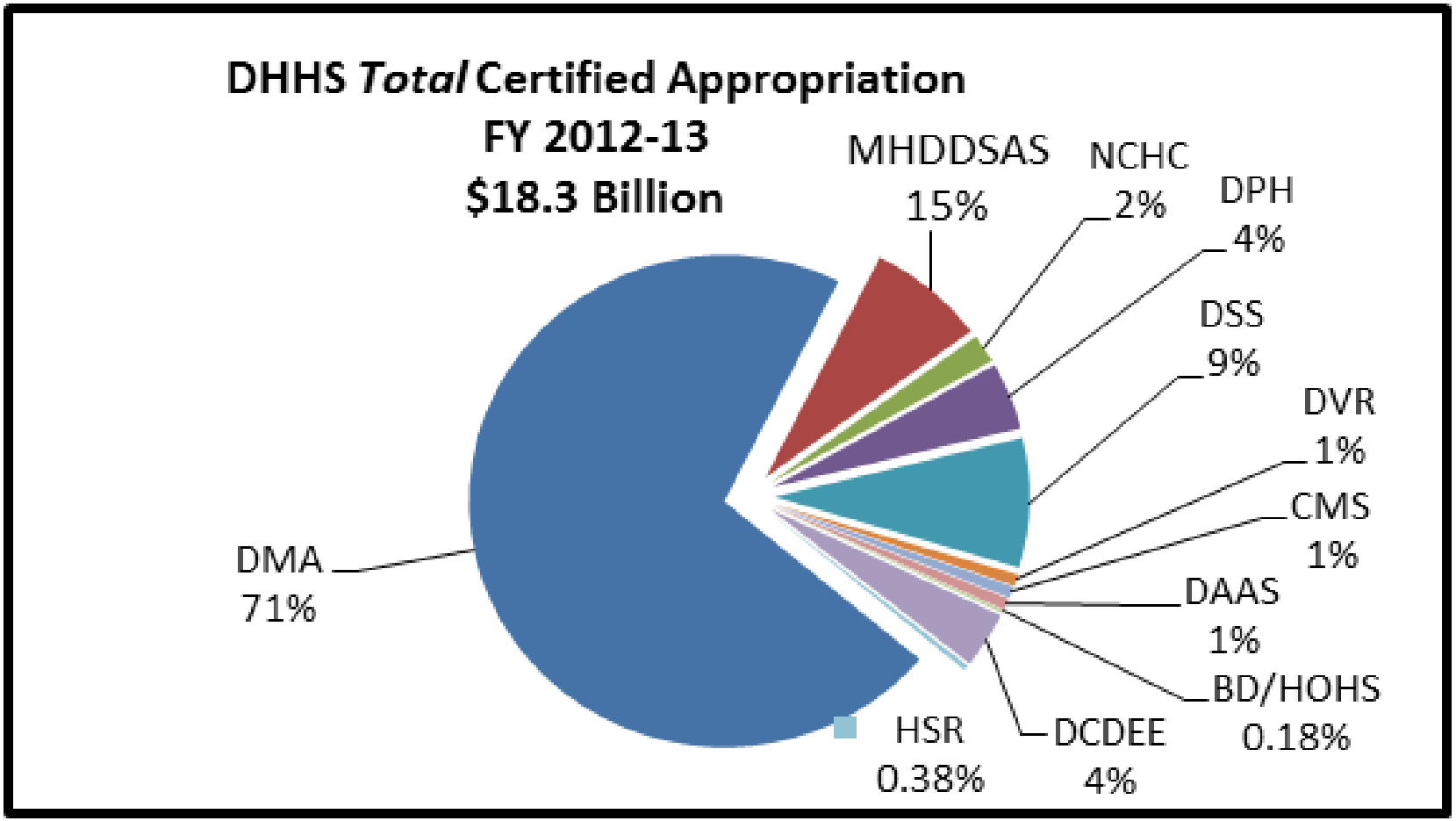
- S.L. 2012-142, Sec. 10.23A appropriated $10.3 million to establish the Transitions to Community Living Fund to begin implementing a plan to transition individuals to community living arrangements, including housing assistance and any wrap-around services they may need
- Sec. 10.23A also established the Blue Ribbon Commission on Transitions to Community Living to i) examine the State's system of community housing and supports for people with severe mental illness and I/DD and ii) develop a plan to address the issues identified by US DOJ
  - The Commission's final report, issued in January 2013, includes 17 recommendations, several having a direct impact on the mental health divisions and the LME/MCOs.

Budget Overview

Mental Health/Developmental Disabilities/Substance Abuse Services

State Operated Health Facilities

Department of Health and Human Services
2012-13 Total Budget



FY 2012-13 Budget

- FY 2012-13 Certified Budget:

Requirements:	$1,366,532,639
Revenues:	$ 671,017,388
Net G.F. Appropriation	$ 695,515,251

- Positions: 11,719

- Approximately 50% budget is supported by Medicaid, federal block grant funds and other revenue
  - Federal block grant funding: $52.8 million

FY11-12 Division Expenditures

- Facilities $863 million
- Community Services $365 million
- LME Administration $104 million
- Division Administration $24 million

FY 2012-13 Budgeted Expenditures

Purpose	$ Amount	% Total
Salaries & Benefits	630,090,230	45.4%
Purchased Services	48,477,515	3.5%
Supplies; Property; Equipment	56,364,535	4.1%
Aid & Public Assistance	487,888,977	35.1%
Reserves & Other Expenditures	21,269,961	1.5%
Intergovernmental Transfers	145,153,701	10.4%
Total	1,389,244,919	100%

State Psychiatric Hospitals Requirements

Hospital	FY11-12 Actual Expenditures ($)	FY12-13 Certified Budget ($)	FY13-14 Continuation Budget ($)
Broughton	125,945,271	131,484,007	131,972,504
Central Regional	229,047,155	193,213,302	187,640,526
Cherry	106,264,385	128,325,296	145,910,650
Total	**461,256,811**	**453,022,605**	**465,523,680**

General Fund Budget Comparisons

	$ Amount	% Change
FY 2011– 12 Actual Expenditures	669,003,343	
FY 2012 – 13 Certified Budget	703,670,925	+5.2%
FY 2013 – 14 Continuation Budget	706,978,374	+0.5%

Mental Health Budget and Policy Issues

- Cost to implement the State's settlement agreement with U.S. DOJ to transfer and divert persons from institutions/facilities to home and community-based settings

- Adequacy of community services funding
  - Especially for non-Medicaid eligible persons

- Continue special appropriations for select nonprofit agencies ($6.2 million)

- Impact of federal/Congressional decisions regarding block grant funding
  - S.L. 2012-142 appropriated $57 million in federal block grant funds for mental health/developmental disabilities/substance abuse services

  - DHHS I waiver proposal

Mental Health Budget and Policy Issues

- Impact of State Medicaid policy changes
  - Approximately 1,500 group home residents and 3,600 adult care home residents with mental illness or developmental disabilities lost eligibility for personal care services on January 1, 2013
- LME/MCO financial solvency
  - Which entity is financially liable for LME/MCO cost overruns that exceed available risk reserve and fund balance?
    - HB 916 exempts county governments from financial liability
- Ongoing staff shortages at State operated facilities
- State operated facilities capacity
  - More community and state facility beds needed

Questions

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